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C O N F I D E N T I A L SECTION 01 OF 03 WELLINGTON 000536

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DEPARTMENT FOR EAP/FO, EAP/ANP AND EAP/CM
PACOM FOR JO1E/J2/J233/J5/SJFHQ

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SUBJECT: CHINESE/NEW ZEALAND TALKS ON PACIFIC ISLAND ISSUES

REF: A. WELLINGTON 462

[1](#)B. WELLINGTON 451

(U) Classified By: Acting Deputy Chief of Mission Katherine
[1](#)B. Hadda, for reasons 1.4 (b) and (d)

Summary

[1](#)1. (C) As part of a first round of New Zealand-China Pacific Consultations, PRC's Assistant Minister of Foreign Affairs He Yafei visited New Zealand in June. According to New Zealand's Ministry of Foreign Affairs (MFAT), He said China recognizes New Zealand's "very important" role in the Pacific region, wants to coordinate its efforts in the region with GNZ at the policy level, and supports the Pacific Plan. There was frank discussion "between friends" on the China-Taiwan rivalry in the region, which MFAT says will continue to complicate its future engagement with China in the South Pacific. End summary.

[1](#)2. (C) As part of a five-country tour of the South Pacific (Australia, Cook Islands, Samoa, New Zealand, Fiji), He Yafei, one of three Assistant Ministers of Foreign Affairs of the People's Republic of China, visited New Zealand from June 20 to 22. The visit was a follow-up to the visit of Premier Wen Jiabao to the region in early April, and involved consultation on bilateral, Asian region and Pacific region issues. MFAT says AFM He's meeting with Alan Williams, Deputy Secretary at MFAT, and other GNZ officials focused on China's Pacific Island foreign and aid policy objectives and included frank discussion about China's and Taiwan's role in the Pacific.

China's Pacific Island foreign and aid policy

[1](#)3. (C) AFM He characterized China's policy in the Pacific as promoting regional coherence and economically and socially-sustainable development. As a developing country, China understands the difficulties that Pacific Island countries (PICs) face, which are similar to its own, He said. MFAT says He took note of the Pacific Plan objectives, and recalled China's 2005 commitment to give USD 1.25 million in 2006 and 2007 to Pacific Plan programs. Chinese aid focuses on projects that positively affect peoples' daily lives, such as infrastructure and public facilities, he said. In addition to a number of high-profile projects, there are many smaller ones, involving agriculture, hydroelectricity and solar energy. Generally the recipient governments are responsible for identifying project proposals. Chinese

companies usually carry out the contract work.

14. (C) He said China had announced its commitment to the five main areas of cooperation agreed to at the China-Pacific Islands Economic and Development Forum in April: trade and investment; agriculture, forestry and fish; tourism; transportation; and capacity building. The PRC also announced 3 billion yuan (USD 375 million) in soft loans for PICs over the next three years and committed to train 2,000 people, including government officials and those involved in economic sectors such as energy, telecommunications, fisheries and health. These programs will cover all Pacific Island Forum (PIF) members, whether or not they have diplomatic relations with China. In November, China's Ministry of Foreign Affairs will hold a second training program for PIC diplomats (approximately 2-3 per country) and a training program in China for Pacific journalists. China is willing to coordinate aid efforts on a policy level with New Zealand, said He, who added that cooperation at the project level would be too difficult.

15. (C) The NZAID rep at the meeting told He that GNZ has increased its aid resources to the Pacific by 45% over the last three years (including tripling aid to Papua New Guinea, the Solomon Islands and Vanuatu). GNZ allocates 55% of its overseas development assistance to the Pacific (Ref A). Deputy Secretary Williams told He that Pacific Plan objectives will only be reached if the partners in the region work together. AFM He said China was open to coordinating with other donors and making programs more complementary.

China and Taiwan in the South Pacific: It's All "Their" Fault

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16. (C) AFM He warned of the "dangers of Taiwan dollar diplomacy," saying that "Taiwan was very much into corruption" and alleging that Taiwanese bribery in the Solomon Islands was a major reason behind recent unrest. He cited an example from Vanuatu, where Taiwan allegedly asked Prime Minister Vohor to forge signatures to bring about a vote of no confidence. He claimed Taiwan officials had also invited Micronesia's Speaker to Taiwan to try to influence him. AFM He also brought up the summit that Taiwan plans to hold with PICs in September 2006, to which he claimed New Zealand and Australia would be invited. (FYI: MFAT tells us GNZ has not received an invitation. End FYI.)

17. (C) Williams reiterated that GNZ's One China policy is deeply embedded, but observed that the China-Taiwan issue could have negative connotations for the region. Reinforcing the message delivered by NZ Foreign Minister Winston Peters the day prior, Williams added that New Zealand does not tell PICs what to do as they are sovereign nations that make their own decisions. GNZ does tell the PICs to identify where their long-term interests lie, however. Williams told He that at an informal retreat held at last year's meeting of the Forum Regional Security Committee in Auckland, senior PIC officials said some PIC ministers felt there was advantage to playing China and Taiwan off each other.

18. (C) MFAT says He claimed this was "very unfortunate" and misguided, but said the Taiwan issue is a test China applies to its foreign relations that provides the political basis for long-term relations. If PICs believed that they could gain more money by exploiting the sensitivity of the issue, they would be mistaken. Everything would be off the table. One of He's delegation added that smaller countries were "easier to buy off" through putting money in leaders' pockets, and claimed Taiwan had used checkbook diplomacy to keep nations such as the Solomon Islands in the fold.

19. (C) Williams told He there is an association between small states and weak governance. Some PICs were even facing a question of whether they could remain viable as nation states. Williams explained to the PRC side that New Zealand

is starting to make more use of trust funds under the control of boards in New Zealand. NZAID told He that the PICs which recognize Taiwan, with the exception of Palau, suffer from the poorest governance, least stability, and weakest economic outlook in the region.

¶10. (C) According to MFAT, He told Williams that while China is patient on the Solomon Islands and the question of diplomatic relations, it hopes that New Zealand "would tell the (Solomon Islands), as you do others" that its was in their long-term interest to develop relations with the PRC rather than the province of Taiwan. Williams responded that building quality governance is essential, but that NZ would continue to be guided by the principle that it is up to the PICs to make the sovereign choice about whether to recognize the PRC.

Comment

¶11. (C) MFAT believes that the Chinese are genuinely interested in increased interaction with New Zealand on Pacific policy. They say a second round of consultations is planned for Beijing, either in conjunction with New Zealand-China Foreign Ministry Consultations in November 2006 or separately in early 2007. MFAT sees the Taiwan issue as the predominant force behind China's involvement in the region. MFAT further believes that China is looking to New Zealand to play a more active role in reducing Taiwanese influence in the region. In MFAT's view, this expectation is likely to complicate the bilateral relationship between New Zealand and China, and potentially GNZ ties to the PICs as well.

¶12. (C) MFAT also says that GNZ will continue to deliver the message to China, PICs and others that development partners need to work in coherent tandem toward quality, long-term governance and development outcomes. MFAT will also continue its dialogues with other large regional partners, such as its recent meetings with Emboffs and heads of mission from France's Pacific posts (Ref B). MFAT is also speaking to Taiwan about the implication of the island's assistance to

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the Pacific. NZAID's Pacific Group Director, Craig Hawke, went to Taipei two weeks ago to deliver "a stern message," according to MFAT. End comment.
McCormick